State of California

Year 2000 Status

January 1999 Quarterly Report

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INTRODUCTION

With fewer than eleven months until January 1, 2000, Governor Davis' Administration is taking important steps to protect California's citizens, revenue streams and businesses, from the potential harm of technical failures related to the Year 2000. The Administration's plan is both prudent and aggressive. While undertaking a comprehensive reevaluation of the status of state government's Year 2000 efforts, the Administration is simultaneously deploying the organization and resources necessary to complete the state's Y2K preparedness. The plan is described in the first section of this document: *The New California Strategy for the Year 2000.*

The second section of this document, *California Statewide Status*, reports the status of the state's Year 2000 remediation efforts as required by the 1998-1999 Budget Act. This report represents a significant departure from the Year 2000 quarterly reports provided by the previous Administration to the Legislature through the Department of Information Technology (DOIT).

This Quarterly Report adheres strictly to the direction provided by the language of the Budget Act and is, therefore, briefer than previous Quarterly Reports. Much of the data presented in this section results from the priorities, practices and policies of the previous Administration. Consequently, information which would have been included in a quarterly report has been compiled and will be transmitted to the Joint Legislative Budget Committee under separate cover.

The Davis Administration is committed and prepared to share with the Legislature, on a more frequent basis, the status of the state's Year 2000 efforts. To that end, the Davis Administration will explore new ways to measure progress, assess risk and provide required data to the Legislature.

Data presented in Section 2 of this report was collected under practices and policies of the previous Administration.

SECTION 1

THE NEW CALIFORNIA STRATEGY FOR THE YEAR 2000

The Year 2000 is an extraordinary circumstance demanding extraordinary measures. Once thought to be solely a data processing issue, the Year 2000 problem is now widely perceived to encompass the many automated devices upon which modern society depends. In this respect, Year 2000 failures may be compared to the natural and man-made disasters that government regularly confronts.

While it is not feasible to ensure that all Year 2000 related failures will be eliminated, it is still possible to lessen the impact and materially improve the outcome to California. The state can best make effective use of the time remaining by:

- Addressing as many outstanding problems as possible, starting with those that pose the greatest risk to health, safety and revenue;
- Protecting the California public's interests;
- Planning for uninterrupted delivery of essential services across the century boundary (business continuity planning); and
- Preparing for Year 2000-related emergencies once the Year 2000 arrives.

Success will depend in large measure on the ability of the state to adapt to the Year 2000 the same preparation and management principles it employs in other events of like importance:

- Coordination, managed from the top down;
- Elimination of obstacles and barriers;
- Collaboration across public and private sectors; and
- Anticipation of post-Year 2000 eventualities.

Centralization and Coordination

Centralized coordination and oversight of the state's Year 2000 efforts will afford a number of opportunities to increase the state's chances of success including:

- Identification of "hot spots" followed by targeted assistance or intervention;
- Rapid, unfettered escalation and resolution of issues;
- Prioritization of the effort with minimum redundancy; and
- Consistent, responsible communication to the public.

Figure 1 provides an overview of the statewide Year 2000 organization, which is described below.

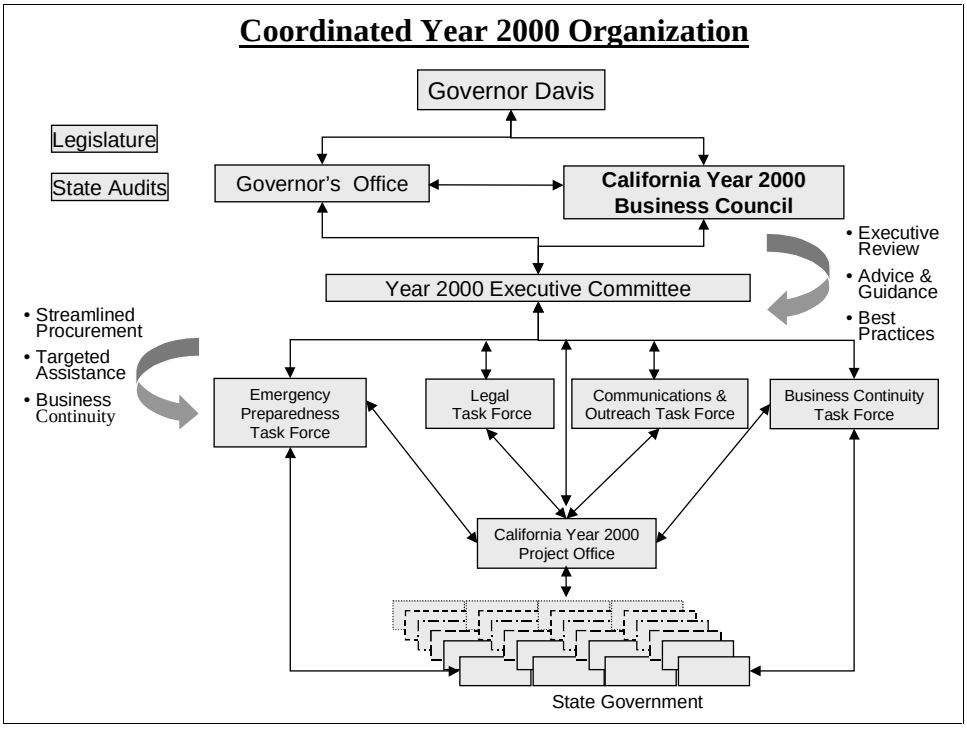

Figure 1

CALIFORNIA YEAR 2000 BUSINESS COUNCIL

The state will tap available sources of expertise and informed advice, including the vast capabilities of high-tech and other industries that fuel the state's economy. A California Year 2000 Business Council, appointed by the Governor, and representing the private sector's "best and brightest" Year 2000 strategists must be a working group that:

- Provides ongoing review of the state's strategies, plans and progress;
- Contributes best practices and proven solutions;
- Approves and monitors the state Year 2000 efforts and plans; and
- Reviews candidates for the state's top information technology positions.

YEAR 2000 EXECUTIVE COMMITTEE

A Year 2000 Executive Committee will assume statewide leadership, coordination and oversight responsibilities. Chaired by the Governor's Office, it will be composed of:

- The Staff Director, Chairperson
- The Secretary of the Cabinet
- The Governor's Communications Director
- The Legal Affairs Secretary

- The Policy Director
- The State Chief Information Officer
- The Director of Finance
- The Director of the Governor's Office of Emergency Services
- An Advisor for Information Technology (non-voting)

Representatives for the interests of the following key stakeholders may be invited to meetings of the Year 2000 Executive Committee and provide insight and input into the Committee's deliberations:

- Local Government
- Federal Government
- Non-profit organizations
- Small business
- Data Center Coordinator
- Constitutional Officers

CALIFORNIA YEAR 2000 PROJECT OFFICE

The block in *Figure 1* labeled "California Year 2000 Project Office" represents:

- The physical location where Year 2000 status data is kept, contractors are managed and daily decisions are made;
- The staff that provides Year 2000 expertise and administrative support to the Year 2000 Executive Committee; and
- The reporting, analysis and day-to-day management roles and responsibilities that are the California Year 2000 Project Office's reason for existing.

Figure 2 illustrates a high-level view of the California Year 2000 Project Office workflow.

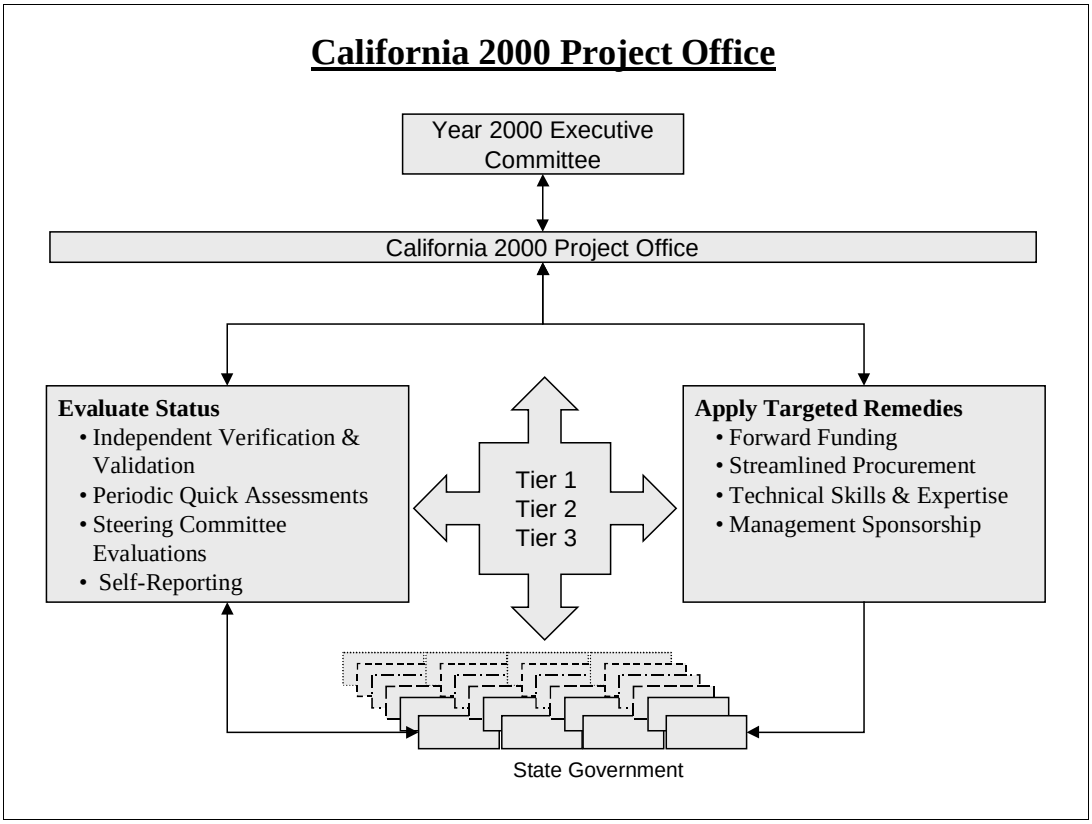

Figure 2

The Project Office will employ multiple channels to serve as additional "eyes and ears," providing timely information about the state's Year 2000 projects. Departments themselves will be encouraged to come forward with issues and problems that may be best resolved though the assistance or intervention of the California Year 2000 Project Office or the Year 2000 Executive Committee. Depending on its assessment of the needs of a particular department, program or system, the Year 2000 Executive Committee, via the California Year 2000 Project Office, will provide the vehicle by which departments gain swift access to funding, equipment and important, pre-negotiated vendor services including Year 2000 assistance in the following areas:

- Information technology
- Embedded systems
- Desktop systems
- Business Continuity Planning
- Legal Issues
- Infrastructure, including telecommunications, water, power supply, distribution and transportation

The status of a department, program or system will be categorized into three tiers as illustrated in *Figure 3*.

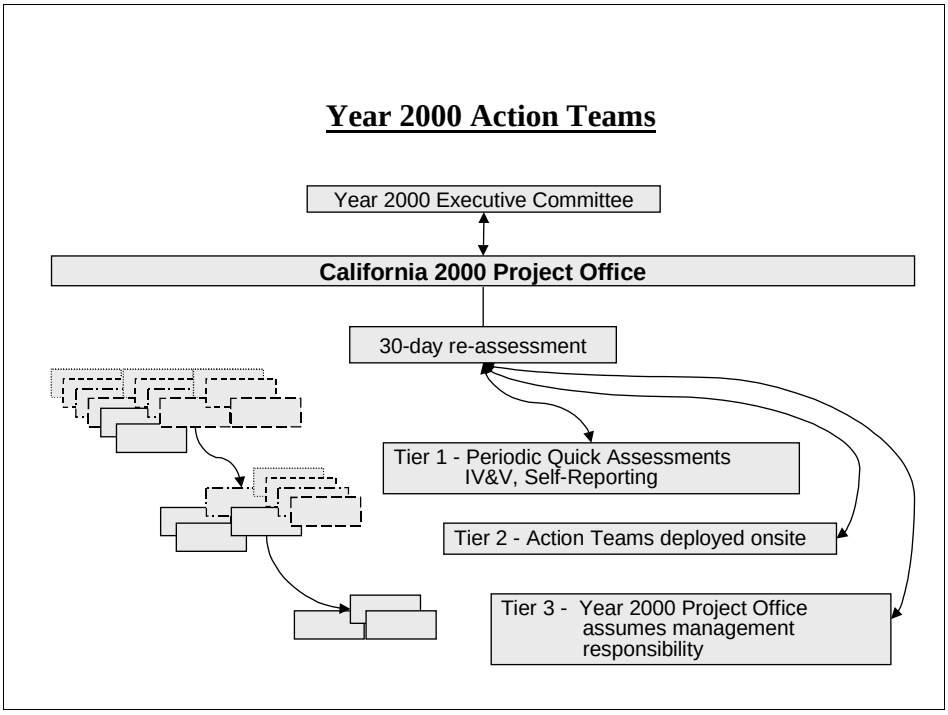

Figure 3

Tier 1 consists of departments, programs or systems that are of no specific cause for concern. They will be required to report their status and may also be subject to independent review from an Independent Verification and Validation (IV&V) vendor or from an Action Team Quick Assessment. The Project Office may move a department, program or system to a higher Tier as a result of an IV&V review, a quick assessment or the department's own request.

Tier 2 consists of departments, programs or systems that require targeted assistance to ensure that deadlines are met and projects are successful. The Project Office will deploy an Action Team, which may consist of contractors, state staff or both, to provide the necessary assistance and work through the desired Year 2000 solution.

Tier 3 consists of seriously troubled departments, programs or systems, with problems that require comprehensive intervention. In these cases, the California Year 2000 Project Office will assume Year 2000 management responsibility and will, de facto, outsource completion of the problematic Year 2000 work.

Delivery of essential services and emergency preparedness

DEPARTMENTAL AND STATEWIDE BUSINESS CONTINUITY PLANS

The state will take the necessary steps to ensure that delivery of essential services will not be interrupted by contingencies arising because of the Year 2000. Business continuity plans developed in 1999 will pay off in 2000 whenever there are failures in information technology, embedded systems or California's infrastructure. Because effective planning for business continuity crosses many government and private sector organizations, top-down leadership is essential. The Year 2000 Executive Committee will oversee the creation of business continuity plans that ensure delivery of essential services through the century change.

Figure 4 illustrates key features of these business continuity plans.

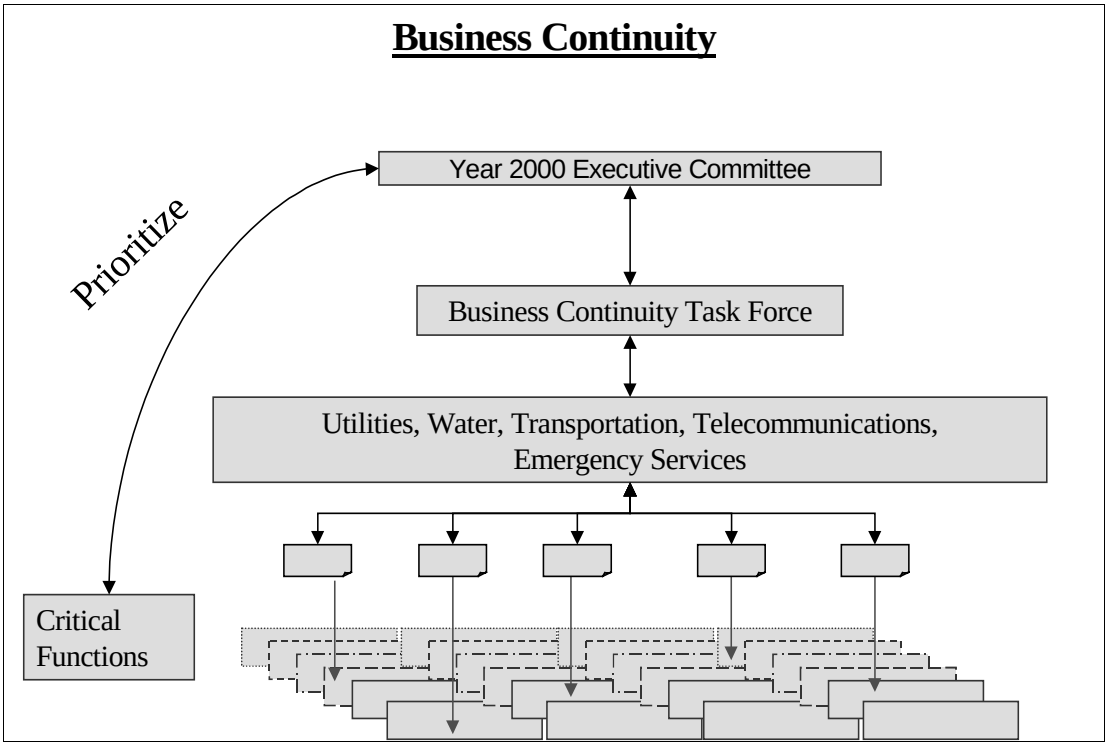

Figure 4

The Year 2000 Executive Committee, in consultation with departments, will identify the critical state programs for which business continuity plans are mandatory.

STATEWIDE BUSINESS CONTINUITY TASK FORCE

The Year 2000 Executive Committee will also convene a Statewide Business Continuity Task Force charged with creating a statewide business continuity plan to address delivery of services relying on the coordination and cooperation of multiple jurisdictions. Because the statewide business continuity plan will address failures of utilities, water, transportation,

telecommunications or emergency services, individual departments will not have to deal with providers of these infrastructure components in the event of their failure due to the Year 2000.

To assist departments and the Business Continuity Task Force in developing their plans, the Year 2000 Executive Committee will acquire the services of consultants who are expert in the disciplines of business continuity and crisis management. These consultants will develop templates and provide training, which the Year 2000 Executive Committee will make available to all state and local governments within California. In addition, the Year 2000 Executive Committee will provide onsite facilitation and consultation for those programs that have been designated critical to the state.

The Business Continuity Task Force will be chaired by the Department of Information Technology.

EMERGENCY PREPAREDNESS TASK FORCE

The Governor's Office of Emergency Services will be directed to guide other departments within state government and to work with federal, county and municipal governments in assessing Year 2000 risks and developing worst case scenarios that might cause significant interruption to government services or constitute public emergencies. The Office of Emergency Services will manage any public emergencies. *Figure 5* below illustrates the principal participants in Year 2000 Emergency Preparedness.

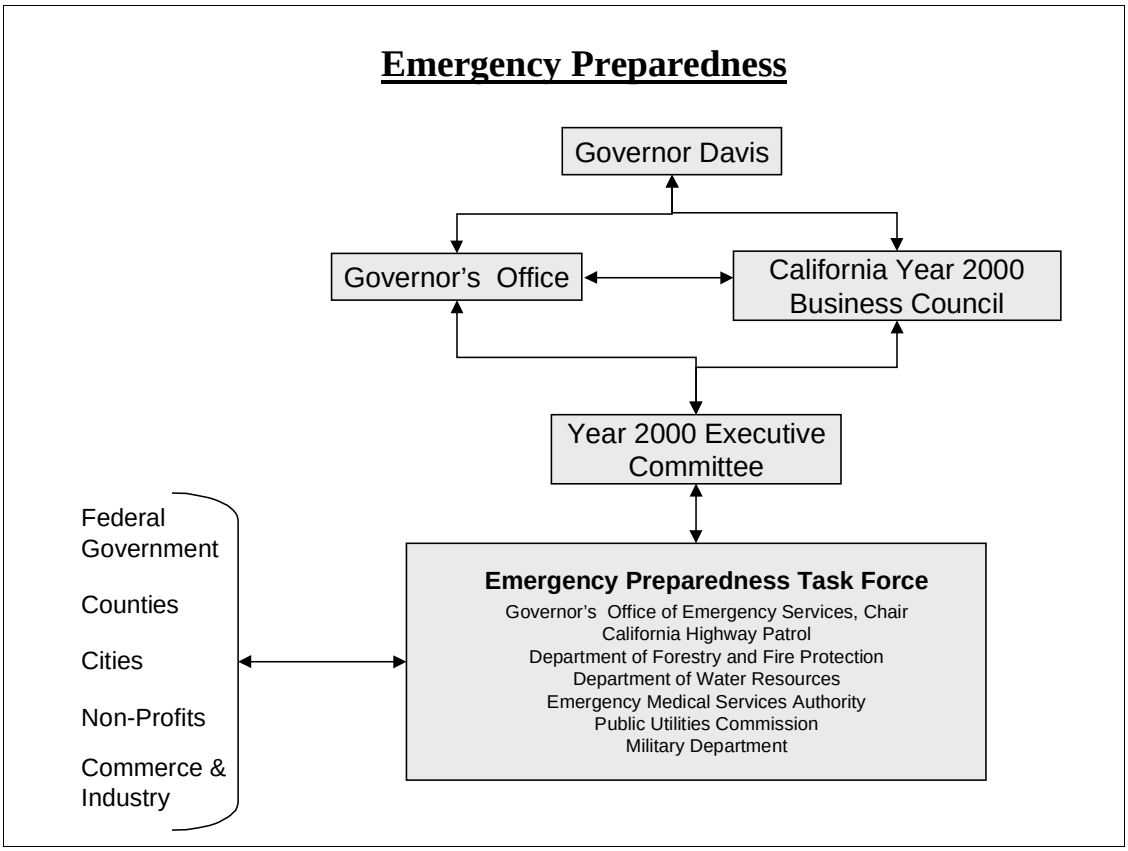

Figure 5

YEAR 2000 LEGAL TASK FORCE

A Year 2000 Legal Task Force will coordinate legal review of Year 2000 issues and legislative impacts. Chaired by the Legal Affairs Secretary, it will be composed of:

- The Legal Affairs Secretary, Chairperson
- Legal Counsels from:
  - The Department of Information Technology
  - The Health & Welfare Data Center
  - The Stephen P. Teale Data Center
  - The Department of General Services
  - The Department of Finance

Representatives for the interests of the following key stakeholders may be invited to meetings of the Year 2000 Legal Task Force and provide insight and input:

- Executive Branch Departments
- Constitutional Offices
- Boards and Commissions

- UC and CSU Systems

YEAR 2000 COMMUNICATIONS & OUTREACH TASK FORCE

A Year 2000 Communications and Outreach Task Force will coordinate communications to the public, Legislature, and media. The task force will also coordinate subject matter for outreach events. Chaired by the Communications Director, it will be composed of:

- The Communications Director, Chairperson
- Public Information Officers from:
  - The Department of Information Technology
  - The Stephen P. Teale Data Center
  - The Health & Welfare Data Center
  - The Department of Finance

Representatives for the interests of the following key stakeholders may be invited to meetings of the Year 2000 Communications and Outreach Task Force and provide insight and input.

- Executive Branch Departments
- Constitutional Offices
- Boards and Commissions
- UC and CSU Systems

Elimination of obstacles and barriers

To prevent access to funding from becoming an obstacle, the Administration, in partnership with the Legislature, will take steps to streamline the current funding request process. Once a shorter process has been devised, the Year 2000 Executive Committee will be charged with the responsibility of rapidly evaluating funding requests and issuing a disposition.

The Year 2000 Executive Committee will approve reasonable requests for Year 2000-related remediation funds with the proviso that the associated projects and purchase orders will be audited. Penalties will be imposed in cases where departments receiving funds through this extraordinary measure cannot provide auditable documentation showing that allocated funds were used solely for the purposes for which they were approved, that is, for Year 2000 remediation.

Rapid acquisition of goods and services must not be a barrier to completing necessary Year 2000 remediation. Suppliers and vendors must be poised and ready to act on the state's behalf upon request. To protect the state from resource and commodity shortages, the Year 2000 Executive Committee will review contracts with selected vendors, thereby ensuring ready access to equipment, contractors and solutions when the need arises. Legislation that protects these vendors from future litigation while at the same time demanding accountability and protection of the state's interests will be considered.

Broad-based collaboration across public and private sectors

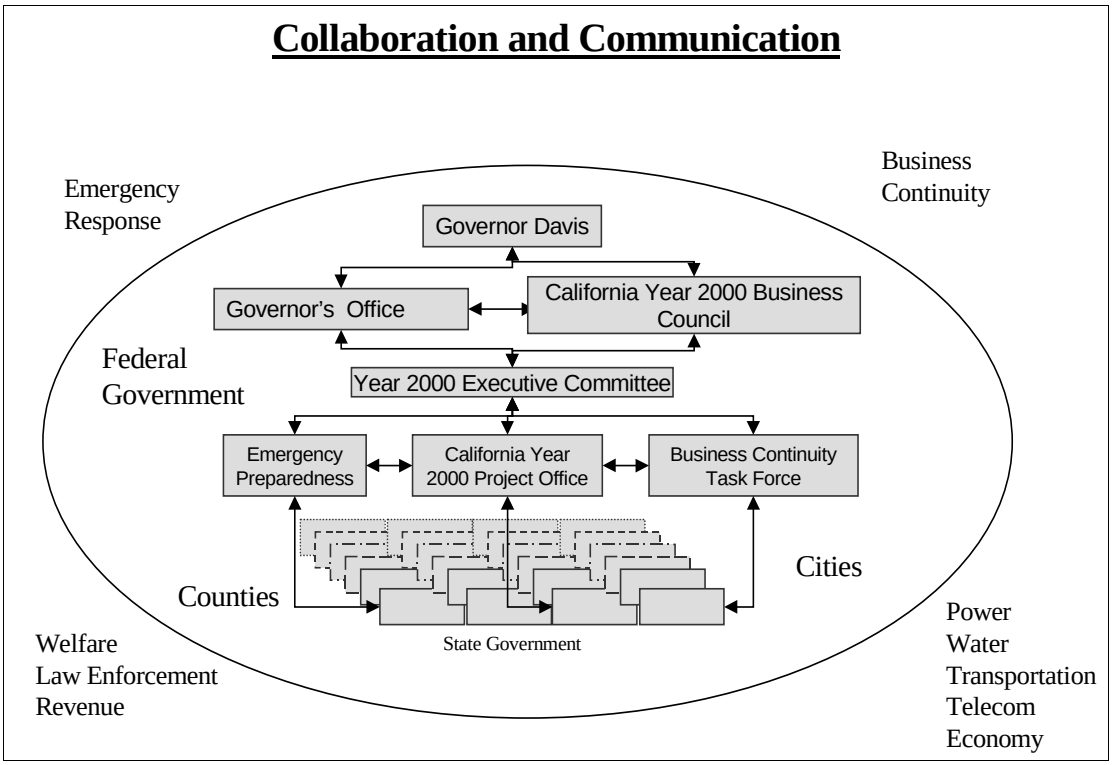

Figure 6

California's success in addressing the Year 2000 depends on factors beyond the immediate control of state government. However, the state has the power to influence the outcome through broad-based collaboration with federal, county and municipal governments, with the various organizations over which it has regulatory authority, with private industry and commerce and with the general public. The Executive Committee on the Year 2000 will sponsor events that promote communication, education and mutual assistance among all the organizations with a stake in the outcome of the Year 2000 for California.

Communication Plan

In addition, the Governor's office will adopt and execute a comprehensive public communication plan. All public communications regarding California's Year 2000 status and the impact to state programs and citizens will originate in the Governor's Office. However, because the Year 2000 touches every state department and every citizen, the Governor's office will orchestrate a Year 2000 communication plan that embraces accurate, responsible communication, identifies multiple communication channels and audiences, and develops messages that preclude citizen panic and ensure an informed, prepared citizenry.

Anticipation of Post-Year 2000 Eventualities

The Year 2000 will have consequences – both good and ill - long after January 1, 2000. Among the most serious and far reaching are:

- Legal consequences;
- Economic consequences; and
- Consequences to state programs and its technical infrastructure.

LEGAL CONSEQUENCES

Predictions of the cost of litigation related to the Year 2000 range as high as a trillion dollars. During 1999, the state will take steps to:

- Understand its legal liabilities; and
- Determine what opportunities it has for cost recovery for dollars associated with the repair of non-compliant goods and services.

ECONOMIC CONSEQUENCES

Because of its position in the global marketplace, California's economy may be impacted over a period of months or longer by repercussions from Year 2000 failures in other countries where Year 2000 preparedness is far lower than it is within the United States.

CONSEQUENCES TO STATE PROGRAMS AND TECHNICAL INFRASTRUCTURE

Over the past several years, departments have redirected resources and deferred information technology projects in order to solve their Year 2000 problems. Once these problems are behind them, the state's departments will focus on finding new ways to use technology to improve their operations and citizens services.

Summary

While the total impact of the Year 2000 to the state of California cannot be known until after the turn of the century, the state has the opportunity to take proactive actions at the beginning of 1999 that will significantly and positively influence health, safety, revenue and citizen confidence on January 1, 2000. The new strategy for addressing California's Year 2000 challenges will marshal the state's considerable resources to take maximum advantage of the time remaining.

SECTION 2

STATEWIDE STATUS

Data presented in this section was collected under practices and policies of the previous Administration.

State entities under the DOIT's purview are required to report estimated remediation costs and updated project schedules monthly. From the inception of the California 2000 Program, the DOIT has tracked both mission critical and non-mission critical IT systems. Currently, the DOIT tracks remediation status data for embedded and desktop systems as well.

The sequence of the data presented in this section of the document parallels the order of the reporting requirements listed in the 1998 Budget Act. The text of each reporting requirement, enclosed in a box, is printed first, followed by data and narrative that address the requirement. The complete text of the relevant section of the Budget is included as Appendix B.

The DOIT shall provide to the Legislature, by July 15, 1998 and quarterly thereafter a report as to the status of the state's Year 2000 computer application conversion effort, indicating progress and level of compliance by the state with the California 2000 Program Guide.

Table 1: California Mission Critical IT System Status summarizes the data reported to the DOIT on *The Department of Information Technology Mission Critical IT System Year 2000 Remediation Completion Checklist* as of January 8, 1999.

California Mission Critical IT Systems Status **As of January 8, 1999**	
	All Mission Critical IT Systems
Total Systems	**564**
Total Complete	**372**

California Mission Critical IT Systems Status As of January 8, 1999	
	All Mission Critical IT Systems
Total Incomplete	**138**
Development Phase	36
Testing Phase	87
Waiting for External Interface Partner, vendor or other dependency	15
Total to be Retired	**54**
Retired systems will be replaced	48
Retired systems will not be replaced	6

Table 1: California Mission Critical IT System Status

Table 2: California Non-mission critical IT system status summarizes the data reported to the DOIT as of November 30, 1999.

California Non-mission critical IT Systems Status As of November 30, 1998	
Total Systems	**1,912**
Total Complete[1]	**848**
Total Incomplete	**791**
Total to be Retired	**203**
Total Undetermined Status	**70**

Table 2: Summary of non-mission critical IT system status

Sixty-four state entities reported the status of the embedded systems on January 8, 1999. The data presented in *Table 3: California Embedded System Status* below represents 606 facilities. A facility is usually a physical building such as a prison or a hospital; however, in some cases a facility is an aggregate of several monitoring locations or field offices. Embedded systems remediation has been reported complete in 52 of the 606 facilities reported. State entities have

[1] Total Complete includes systems that were identified as compliant before the California 2000 Program was initiated in 1996.

not yet reported on all facilities nor have they completed the survey of all of them. Therefore, the number of embedded systems will definitely increase.

California Embedded Systems Status As of January 1999					
Risk Category	**Total Systems Surveyed**	**No Remediation Required**	**Y2K Impact Undeter-mined**	**Remediation Required**	**Remediation Complete**
Health & Safety	22,531	12,269	9,807	455	24
Environmental	615	526	64	25	7
Operational Impact	27,766	20,751	5,457	1,558	505
Public Confidence	65	32	27	6	2
Other	4,471	1,423	3,017	31	4
TOTALS:	**55,448**	**35,001**	**18,372**	**2,075**	**542**

Table 3: California Embedded System Status

Table 4: California Desktop System Status below summarizes the statewide status of desktop systems as of January 8, 1999. Most state entities report that they have completed approximately 25 percent of the inventory phase. To date, they report having spent approximately $820,000 on automated tools to inventory, assess and remediate their desktops.

California Desktop Systems Status As of January, 1999						
	Hardware		**Application Software**		**Operating Software**	
	Total	**Completed**	**Total**	**Completed**	**Total**	**Completed**
Inventory	99,351		137,527		36,501	
Assessment Required	25,616		78,876		6,349	
Remediation Required	15,421	7,876	1,977	181	5,251	513
Replacement Required	8,735	2,194	7,488	2,561	2,248	1,002
Systems to be Retired	472	314	808	372	430	13
Expenditures to Date	$2,634,644		$343,660		$118,005	

Table 4: California Desktop System Status

1. Identification of any project determined to be at risk of not completing necessary remediation efforts before the failure date of the system.

To date, when remediation of a mission critical system has not been completed by its failure date, the responsible department has implemented a workaround to allow correct processing of the system to continue.

However, the fact that a significant amount of work remains with very real deadlines is cause for concern. Consequently, the Davis Administration is reevaluating the state's remediation status and will take ongoing steps to ensure that risks are being managed.

- Mission critical systems deemed of special concern will be provided with targeted assistance including onsite project management and other resource augmentation as necessary.
- An IV&V vendor will evaluate the Year 2000 remediation status of selected high priority mission critical systems.
- Mission critical systems scheduled to complete in 1999 will periodically be assessed using techniques to quickly determine status and identify potential problems.
- All systems, including those that are non-mission critical will continue to self-report to the DOIT.

The DOIT reports to the Legislature projects where major milestones have not been reached by the planned date.

2. Revised total costs estimates, including redirected resources for each mission critical system.

The policy of the previous Administration did not provide for collection of cost data for each individual system and, in fact, departments do not track Year 2000 remediation costs at that level. Departments report their overall estimated Year 2000 costs to the DOIT monthly.

Based on the data reported to the DOIT, the total statewide estimated Year 2000 remediation costs currently stands at $342 million. This estimate represents approximately $271 million in IT remediation costs, $29 million in embedded systems remediation costs and $42 million in desktop systems remediation costs[2].

As the DOIT has pointed out in previous quarterly reports, the estimated total California costs presented in this document are probably understated for several reasons:

[2] The estimated costs for desktop and embedded systems are current as of the January 8, 1999 reporting period. The estimated cost for IT is current as of the November 30, 1998 reporting period. The DOIT will require state entities to update their estimated costs for IT, embedded and desktop systems on January 31, 1999 and monthly thereafter.

- Costs from major state entities that do not report to the DOIT, including all state institutions of higher learning, the Legislature and the Judiciary are not included.
- Cost estimates for embedded systems apply to the subset of embedded systems posing the highest risk to essential programs.

Table 4: Reported California Year 2000 Remediation Estimated Costs by Fiscal Year below summarizes estimated historical remediation costs as well as predicted future costs through fiscal year 1999-2000. Estimated costs accrued prior to fiscal year 1996-97 are presented as a single set of totals on the first line of the table.

Reported California Year 2000 Remediation Estimated Costs by Fiscal Year **IT costs are as of Nov. 30, 1998** **Embedded and Desktop costs are as of Jan. 8, 1999** ***(Dollars rounded to nearest thousands)***				
Fiscal Year	**Estimated IT Systems Costs**	**Estimated Embedded Systems Costs**	**Estimated Desktop Systems Costs**	**Total**
Prior to FY 1996-1997	$4,244			**$4,244**
FY 1996-1997	$14,108			**$14,108**
FY 1997-1998	$108,246			**$108,246**
FY 1998-1999	$105,274	$24,984	$36,595	**$166,853**
FY 1999-2000	$24,255	$3,891	$5,626	**$33,772**
Sub-Total	**$256,127**	**$28,875**	**$42,221**	**$327,223**
Other Estimated Costs[3]				**$14,516**
TOTAL				**$341,739**

Table 4: Reported California Year 2000 Remediation Estimated Costs by Fiscal Year

[3] The DOIT began asking state entities to distribute their Year 2000 fiscal year costs in June 1997 when they first submitted their remediation plans. State entities that had previously submitted a total estimated Year 2000 remediation cost and had already completed their remediation activities prior to June 1997 were not required to distribute their Year 2000 costs across fiscal years or budgeting categories. Therefore, dollars presented in the row labeled "Other Estimated Costs" should be considered dollars that will have no future impact because they have already been spent and the associated systems are remediated.

3. Identification by system name of each essential but non-mission critical system the department is planning to remediate. For those systems determined to be at risk of failing to be remediated before the failure date of the system, the department shall identify the factors that create the risk and the steps that are being taken to mitigate the risk.

All non-mission critical information technology systems reported to the DOIT are listed in Appendix A.

APPENDIX A

State Entities Reporting Non-Mission Critical Systems Requiring Remediation

Data presented in Appendix A was collected under practices and policies of the previous Administration.

APPENDIX B

California 1998 Budget Act

0505-001-0001--For support of the Department of Information Technology . . . 7,304,000

Schedule:

(a) Support . . . ……..8,054,000

(b) Reimbursements . . . -750,000

Provisions:

1. In addition to the funds otherwise appropriated by this item, the sum of $437,000 is hereby appropriated from the General Fund for the support of the Department of Information Technology for the 1998-99fiscal year. The appropriation made by this provision is not available unless and until the Department of Information Technology drafts or produces final policies establishing (1) when a department should hire an independent oversight vendor, (2) the level of experience project managers should have, (3) how to determine whether a procurement should be cost- or needs-based, (4) when a department should require a letter of credit or performance bond from the vendor, (5) the appropriate size of a project, (6) when acquiring intellectual property rights is appropriate, (7) when a risk assessment model should be conducted on a project, (8) when a risk mitigation plan needs to be developed, (9) summary information that should be contained in the beginning of funding documents, and (10) notification to the Legislature of information technology projects which are being conducted under delegated authority. Final policies shall be distributed to departments prior to June 30, 1999.

2. The Department of Information Technology shall provide the Legislature, by July 15, 1998, and quarterly thereafter, a report as to the status of the state's Year 2000 computer application conversion effort. The report, to be submitted to the fiscal committees in each house of the Legislature and the Joint Legislative Budget Committee, shall indicate the progress and level of compliance by the state with the California 2000 Program Guide of the department, and specifically shall include (1) identification of any project determined to be at risk of not completing necessary remediation efforts before the failure date of the system, (2) revised total cost estimates, including redirected resources for each mission critical system, and (3) identification by system name of each essential but non-mission critical system the department is planning to remediate. For those systems determined to be at risk of failing to be remediated before the failure date of the system, the department shall identify the factors that create the risk the steps that are being taken to mitigate the risk.

3. All information technology acquisitions may be based on the proposal that provides

the most value-effective solution to the state business needs as determined by the evaluation criteria contained in the solicitation document. Value-effective evaluation criteria for information technology acquisitions shall include, but not be limited to, criteria contained in Section 12100.7 of the Public Contract Code, as appropriate.

4. (a) State agencies may use a performance-based solicitation method for an informational technology acquisition when a state agency has defined a business problem, project scope, and desired business results, but does not have sufficient internal resources to develop hi quality, timely, and innovative business solutions.

   The procedures and guidelines governing state agency use of performance-based solicitations shall include, but not be limited to, following:

   (1) Definition of the state agency's business problem, project scope, and desired business results.
   (2) Formation of an evaluation and selection team that includes a senior management representative from the state agency.
   (3) Solicitation of statements of interest, enabling potential supplier to demonstrate qualifications and capabilities to the state agency for use in establishing a list of appropriately qualified suppliers.
   (4) Working sessions or interviews with qualified suppliers for purposes of facilitating a mutual understanding of the state agency's business needs, and aiding in development of value-effective, conceptual solutions.
   (5) Solicitation of written bids from qualified suppliers, including a framework for pricing.
   (6) Evaluation of bids, and selection of a business partner, based upon value-effective criteria established and set forth in the solicitation the evaluation and selection team.
   (7) Joint negotiation of final terms and conditions for the contract, including a final pricing framework for the proposed solution except that, if mutually acceptable final terms and conditions, including pricing, cannot be agreed upon, the state agency shall have the right suspend the negotiations with the selected business partner and enter into negotiations to develop a contract with the next most qualified bidder.
   (8) Effective state agency management of both the project and the contract throughout its entire life cycle.

   (b) A performance-based contract shall be designed to establish a strategic business alliance that shall continue through the phases of project identified in the solicitation including, but not limited to, detailed requirements, solution design, construction, implementation, and operation, if applicable.

The contract shall include (1) the pricing framework, which shall reflect fair value to all parties based upon mutually agreed upon expectations, risks, and rewards, and (2) provisions for termination of the strategic business alliance if problems develop that make it inadvisable to continue, or where a business case is no longer viable or valid. The price paid by the state agency

shall be reasonably related to the benefits obtained from the solution, and may be based on realization of the benefits obtained, results, or performance measures.